

Message Text

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72

ORIGIN AF-04

INFO OCT-01 SS-14 ISO-00 EUR-10 EB-03 L-02 XMB-01 OPIC-01

CIEP-01 INT-01 TRSE-00 SCEM-01 FPC-01 H-01 PM-03

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AF/N:JJBLAKE (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS

INFO USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY ROME

C O N F I D E N T I A L STATE 248147

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, AG, FR

SUBJECT: GAS SUPPLIES: EL PASO - ALGERIA I

REF: PARIS 31704

1. PRESENT DEPT REVIEW OF POLITICAL NON-OBJECTION TO
ALGERIA-BASED LNG PROJECTS ONLY AFFECTS APPLICATIONS FOR
PERMISSION TO IMPORT LNG WHICH ARE CURRENTLY UNDER CON-
SIDERATION BY FEDERAL POWER COMMISSION, AND NEW RPT NEW
APPLICATIONS FOR EX-IM BANK LOANS/GUARANTEES ON ENERGY-
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RELATED PROJECTS IN ALGERIA.

2. FPC APPROVED LNG IMPORT UNDER EL PASO I PROJECT IN 1972, AND THIS APPROVAL IS NOT RPT NOT BEING SUBJECTED TO REVIEW ON POLITICAL GROUNDS. EXIM BANK HAS GUARANTEED IRREVOCABLE LETTERS OF CREDIT IN CONNECTION WITH EL PASO I PROJECT, AND RELYING ON THIS COMMITMENT, US SUPPLIERS ALREADY FURNISHING GOODS AND SERVICES FOR LIQUEFICATION PLANT.

3. FPC NOW CONSIDERING EL PASO APPLICATION TO IMPORT LNG UNDER COMPANY'S SECOND CONTRACT WITH SONATRACH (EL PASO II). ON REQUEST OF DEPARTMENT, FPC HAS AGREED DELAY FINAL DECISION PENDING FURTHER REVIEW AND RECOMMENDATION BY DEPT. EL PASO LAWYER PROBABLY WAS REFERRING TO EL PASO II PROJECT AND NOT RPT NOT EL PASO I.

4. EL PASO'S OPTION PURCHASE LNG UNDER SECOND CONTRACT AT 42 CENTS PER MILLION BTU WILL EXPIRE DEC. 31, 1973. IF FPC DOES NOT APPROVE EL PASO II APPLICATION BY THAT DATE, COMPANY WOULD HAVE TO RENEGOTIATE PRICE WHICH WOULD UNDOUBTEDLY REFLECT HIGHER PRICE NOW PREVAILING. HOWEVER, THIS DOES NOT NECESSARILY MEAN BASIC CONTRACT WITH SONATRACH WILL BE BROKEN OR THAT PROJECT WILL FALL APART.

5. FOREGOING IS FOR EMBASSY'S INFORMATION ONLY AND IS NOT RPT NOT TO BE CONVEYED TO FRENCH OFFICIAL OR PRIVATE CONTACTS. RUSH

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